



WATER – our daily elixir of life



# 2007

SHAREHOLDER-INFORMATION  
for the 1<sup>st</sup> half year

Water Technologies for a Better Life



# Dear shareholders,

**Sales Development:**  
**+12.0% to €195.2 million**

In the first half of the 2007 financial year, the BWT Group increased its consolidated sales by 12% from € 174.2 million to € 195.2 million. In the second quarter, the previous year's value of € 91.6 million was exceeded by 15.7% and consolidated sales of € 106.0 million were achieved.

All segments contributed to this positive development. The BWT Group thus further strengthened its leading role in the European water treatment market.

The development of the individual business segments was as follows:

| Segment (Values in € 1,000s) | 1-6 / 2007     | 1-6 / 2006     | + / - %       |
|------------------------------|----------------|----------------|---------------|
| Austria / Germany            | 81,361         | 71,276         | +14.1%        |
| France / Benelux             | 49,526         | 46,389         | +6.8%         |
| Scandinavia                  | 20,752         | 20,320         | +2.1%         |
| Italy / Spain                | 16,923         | 16,166         | +4.7%         |
| Switzerland / Others         | 26,619         | 20,073         | +32.6%        |
| <b>BWT Group</b>             | <b>195,181</b> | <b>174,224</b> | <b>+12.0%</b> |

| Segment (Values in € 1,000s) | 4-6 / 2007     | 4-6 / 2006    | + / - %       |
|------------------------------|----------------|---------------|---------------|
| Austria / Germany            | 45,762         | 38,560        | +18.7%        |
| France / Benelux             | 25,686         | 23,141        | +11.0%        |
| Scandinavia                  | 11,296         | 10,822        | +4.4%         |
| Italy / Spain                | 8,607          | 8,165         | +5.4%         |
| Switzerland / Others         | 14,621         | 10,893        | +34.2%        |
| <b>BWT Group</b>             | <b>105,972</b> | <b>91,581</b> | <b>+15.7%</b> |

The Switzerland / Others segment confirmed its above-average growth rate with a plus of 32.6% in the first half of the year; the Austria / Germany region performed well with a plus of 14.1% and France / Benelux achieved accumulated growth of 6.8% following a weaker first quarter. In Scandinavia, below-average growth of 2.1% was reported; a double-figure sales increase in Denmark and Sweden was counteracted by a decline in sales in Norway. The Italy / Spain segment is characterized by solid growth and a continued above-average contribution to operating income, even if a slight decline in sales was recorded in Spain in the first half of the year.

In addition to the creation of the "Point-of-Use" business, Asia and Eastern Europe represent particular focal points for the BWT growth strategy. In the first half of 2007, sales in Eastern Europe increased by 48.4% from € 9.4 million in the previous year to € 14.0 million. In Asia, sales more than doubled from € 0.9 million to € 1.9 million.

Overall, the service and spare parts business performed disappointingly in the first half of 2007. With a 4.7% increase to € 38.0 million (previous year: € 36.3 million), growth remained below expectations so that this segment contributes 19.5% of group sales (previous year: 20.8%). FuMA-Tech, which is active in the fuel cell field, experienced a decline in sales of around € 1.0 million. However, an order book level of € 1.4 million bodes well for the second half of the year.

At € 65.4 million, the order book level of the BWT Group as at June 30, 2007 remained at the same level as the previous year. Order book levels in France / Benelux are better; in the remaining segments, these levels have fallen below the previous year's level.

**Earnings development:****EBIT € 20.7 million, +12.4% year-on-year**

In the second quarter, earnings growth in the BWT Group accelerated. EBIT increased by 17.6% in the second quarter following a 6.3% increase in the first three months of the current financial year. This means that an accumulated EBIT of € 20.7 million (11.1% of sales) was achieved in the first half year. This represents a 12.4% increase on the previous year's value of € 18.4 million.

**Segment results**

All business segments contributed to this increase; EBIT broken down by segment is as follows:

| Segment (in € 1000s) | 1-6 / 2007    | 1-6 / 2006    | + / - %       |
|----------------------|---------------|---------------|---------------|
| Austria / Germany    | 7,194         | 6,948         | +3.5%         |
| France / Benelux     | 4,517         | 4,276         | +5.6%         |
| Scandinavia          | 2,678         | 2,551         | +5.0%         |
| Italy / Spain        | 2,769         | 2,679         | +3.4%         |
| Switzerland / Others | 3,556         | 1,972         | +80.3%        |
| <b>BWT Group</b>     | <b>20,714</b> | <b>18,426</b> | <b>+12.4%</b> |

| Segment (in € 1000s) | 4-6 / 2007    | 4-6 / 2006   | + / - %       |
|----------------------|---------------|--------------|---------------|
| Austria / Germany    | 4,236         | 4,021        | +5.3%         |
| France / Benelux     | 2,932         | 1,901        | +54.2%        |
| Scandinavia          | 1,600         | 1,642        | -2.6%         |
| Italy / Spain        | 1,241         | 1,261        | -1.6%         |
| Switzerland / Others | 1,748         | 1,173        | +49.0%        |
| <b>BWT Group</b>     | <b>11,757</b> | <b>9,998</b> | <b>+17.6%</b> |

As was the case in the first quarter, the Switzerland / Others segment continues to be the growth motor for the results of the BWT Group. With EBIT of € 3.6 million, the previous year's earnings were exceeded by more than 80% in the first half of the year. Despite an unfavorable CHF exchange rate, the Swiss BWT subsidiary Christ Aqua increased its EBIT by more than 30%; in Poland, the result quintupled. In Italy / Spain, a 3.4% increase in earnings was achieved. In Scandinavia, the head company HOH Denmark achieved a 13% increase in earnings; however, weaker results in Norway and Finland curb the segment earnings. Following a weak earnings performance in the first quarter, the France / Benelux segment has recovered lost ground. In particular, BWT France and Belgium performed satisfactorily in the second quarter and increased segment earnings year-on-year by 5.6% to € 4.5 million. An unfavorable product mix, the production start for Point-of-Use as well as a considerable increase in advertising expenditure resulted in a mere 3.5% increase in EBIT in the Austria / Germany segment, despite a 14% increase in sales.

Material expenses in the BWT Group increased from 38.1% to 41.0% of sales in the first half of the year due to inventory changes. This is due to the relatively high material tangents in the new business activities as well as an increase in the cost of raw materials.

Personnel expenses increased by 5.4% to € 57.9 million – this is a below-average increase in relation to sales. This was caused by expansion of the production and service capacities (particularly in Austria, France and Poland) and the usual wage increases. The workforce of the BWT Group totaled 2,255 people as at June 30, 2007 (December 31, 2006: 2,202 and June 30, 2006: 2,180).

Depreciation increased by 7.4% from € 3.9 million in the first half of 2006 to € 4.2 million. This increase is mainly due to the creation of new production facilities.

The successful recovery of an account receivable which had been written off years ago had a positive influence to the tune of € 0.8 million on other operating income in the first quarter. The figure of € 0.3 million (previous year: € 0.1 million) for capitalized own work concerns the Point-of-Use business.

Other operating expenses increased by 8.4% to € 35.7 million and amounted to 18.3% of sales (previous year: 18.9%). The main causes for this increase are factors such as freight charges, fleet and travel costs as well as temporary employees and marketing which are directly involved with the expansion in business activities.

The financial result benefits from higher income from participations, causing financial income to increase from € 1.1 million to € 1.3 million. The increased interest rate caused a slight year-on-year increase in interest expenses, despite lower net debt on average.

In the first half of the year, earnings before tax improved by 13.8% from € 18.3 million to € 20.9 million and therefore amounted to 10.7% of sales (previous year: 10.5%). Back payments of taxes for previous years led to an increase in the average consolidated tax rate from 27.7% to 29.0%. This means that the BWT Group increased its annual net profit year-on-year by 11.7% from € 13.3 million to € 14.8 million in the first six months.

The profit shares of minority shareholders fell from € +0.1 million to € -0.1 million. This means that consolidated earnings after minority interests increased by 13.5% from € 13.2 million to € 15.0 million, and amounted to 7.7% of sales. The number of shares issued remained unchanged in the first half of 2007, so that earnings per share came to € 0.84 after € 0.74 in the previous year.

#### **Development of the asset and financial position**

Cash flow from operating activities fell year-on-year from € +1.3 million to € -3.5 million in the period from January to June 2007. There was an increased demand for working capital, particularly in the production companies in Austria, Germany and France. This is due to stockbuilding as a precautionary measure in the light of rising raw material prices, the new Point-of-Use product range and increased activities in swimming pool water treatment.

Higher investments in tangible assets (€ 5.3 million after € 4.1 million the previous year) lead to cash flow from investment activities of € -5.9 million (after € -5.0 million). A € 0.8 million increase in dividend payments also contributed to a € 15.9 million increase in net debt as per June 2007 compared to the end of the previous year.

Despite this fact, gearing improved year-on-year from 35.5% to 34.5% as at June 30, 2007. However, it deteriorated drastically compared with the end of the previous year (22.6%).

Group equity totaled € 117.5 million at the end of the first half of 2007, which represents an equity ratio of 40.3% (previous year: 38.7%).

#### **Risk situation**

The most important potential threat to earnings for the BWT Group in the second half of 2007 comes from two sources: a continuing decline in gross margin due to the increase in the raw material and component purchase prices, and a possible delay in the continued creation of production facilities for Point-of-Use products.

It is also possible that purchases and/or the creation of new subsidiaries (whether they have already taken place or take place in the future) will be less successful and impact on the Group's earnings situation negatively.

## Outlook

In addition to using the very good economic conditions in the core markets, BWT Management has set itself the goals of geographical expansion in the growth markets of Eastern Europe and Asia as well as the expansion of the product range, particularly in the Point-of-Use area.

In light of the positive result from the first half of the year as well as the favorable market conditions expected in the water treatment industry for the rest of the 2007 financial year, consolidated group sales are expected to increase to over € 390 million and group net profit to € 25 million.

## Consolidated profit and loss account for the 1<sup>st</sup> half year

| in € 1000s (unaudited)                                   | 1 <sup>st</sup> half year<br>2007<br>Amount | 1 <sup>st</sup> half year<br>2006<br>Amount | 2 <sup>nd</sup> quarter<br>2007<br>Amount | 2 <sup>nd</sup> quarter<br>2006<br>Amount |
|--|---|---|---|---|
| SALES  | 195,180.9                                   | 174,223.9                                   | 105,972.1                                 | 91,580.8                                  |
| Other operating income (4)                               | 3,031.6                                     | 2,199.7                                     | 1,391.5                                   | 1,362.0                                   |
| Changes in inventory of finished and unfinished products | 1,738.3                                     | 612.3                                       | 1,516.4                                   | 827.8                                     |
| Other capitalised labour, overheads and material         | 294.5                                       | 71.2  | 19.5                                      | 34.6                                      |
| Materials and purchased services                         | -81,738.6                                   | -66,921.8                                   | -47,701.2                                 | -36,755.1                                 |
| Personnel costs  | -57,918.3                                   | -54,927.0                                   | -28,411.8                                 | -27,805.9                                 |
| Depreciation   | -4,202.2                                    | -3,911.3                                    | -2,046.7                                  | -2,076.8                                  |
| Other operating expenses                                 | -35,672.6                                   | -32,920.8                                   | -18,982.8                                 | -17,169.6                                 |
| RESULT FROM OPERATING ACTIVITIES                         | 20,713.6                                    | 18,426.2                                    | 11,757.0                                  | 9,997.8                                   |
| Financial income (5)                                     | 1,323.9                                     | 1,065.0                                     | 999.1                                     | 801.6                                     |
| Financial expenses (5)                                   | -1,168.7                                    | -1,147.8                                    | -673.3                                    | -628.0                                    |
| EARNINGS BEFORE TAX                                      | 20,868.8                                    | 18,343.4                                    | 12,082.8                                  | 10,171.4                                  |
| Taxes on income (6)                                      | -6,056.2                                    | -5,086.5                                    | -3,585.8                                  | -2,674.1                                  |
| NET PROFIT FOR THE YEAR                                  | 14,812.6                                    | 13,256.9                                    | 8,497.0                                   | 7,497.3                                   |
| of which to Shareholders of the parent company           | 14,950.1                                    | 13,170.3                                    | 8,566.3                                   | 7,427.0                                   |
| of which to Minority shares                              | -137.5                                      | 86.6  | -69.3                                     | 70.3                                      |
| EARNINGS PER SHARE (in €):<br>undiluted = diluted        | 0.84  | 0.74  | 0.48                                      | 0.42                                      |
| Number of shares issued                                  | 17,833,500                                  | 17,833,500                                  | 17,833,500                                | 17,833,500                                |

## Consolidated balance sheet

| in € 1000s   | As at<br>30. 06. 2007<br>unaudited | As at<br>31. 12. 2006<br>audited |
|--|------------------------------------|----------------------------------|
| <b>ASSETS</b>  |                                    |                                  |
| Goodwill   | 26,880.0                           | 26,768.2                         |
| Other intangible assets  | 15,517.8                           | 16,368.6                         |
| Tangible assets  | 55,030.6                           | 53,402.9                         |
| Financial assets   | 7,548.9                            | 6,827.8                          |
| Trade receivables  | 279.9                              | 82.1                             |
| Receivables from companies with<br>which a participation is held | 129.6                              | 133.6                            |
| Other receivables from third parties                             | 366.7                              | 311.5                            |
| Deferred tax claims  | 5,655.9                            | 5,538.4                          |
| Long-term assets   | 111,409.4                          | 109,433.1                        |
| Inventories  | 59,920.1                           | 52,439.3                         |
| Trade receivables  | 83,767.8                           | 66,424.7                         |
| Receivables from<br>long-term orders                             | 9,642.1                            | 5,193.7                          |
| Receivables from companies with<br>which a participation is held | 1,091.7                            | 1,048.4                          |
| Income tax reimbursement claims                                  | 1,986.3                            | 2,119.6                          |
| Other receivables from third parties                             | 6,635.8                            | 5,565.7                          |
| Liquid funds   | 16,993.7                           | 14,223.4                         |
| Current assets   | 180,037.5                          | 147,014.8                        |
|  |                                    |                                  |
|  |                                    |                                  |
|  |                                    |                                  |
|  |                                    |                                  |
| <b>TOTAL ASSETS</b>  | <b>291,446.9</b>                   | <b>256,447.9</b>                 |

| in € 1000s  | As at<br>30. 06. 2007<br>unaudited | As at<br>31. 12. 2006<br>audited |
|---|------------------------------------|----------------------------------|
| <b>LIABILITIES</b>  |                                    |                                  |
| Share capital   | 17,833.5                           | 17,833.5                         |
| Capital reserves  | 17,095.8                           | 17,095.8                         |
| Retained earnings   | 83,367.5                           | 74,659.1                         |
| Other reserves  | -1,327.2                           | -1,083.0                         |
|   | 116,969.6                          | 108,505.4                        |
| Minority interests  | 566.2                              | 698.4                            |
| Equity  | 117,535.8                          | 109,203.8                        |
| Provisions for social overhead capital                      | 26,437.5                           | 26,398.1                         |
| Deferred tax liabilities                                    | 4,554.7                            | 4,335.0                          |
| Other provisions  | 1,772.7                            | 1,729.4                          |
| Bonds   | 17,000.0                           | 17,000.0                         |
| Interest-bearing financial liabilities                      | 13,138.5                           | 6,717.3                          |
| Other liabilities   | 749.5                              | 769.6                            |
| Long-term liabilities                                       | 63,652.9                           | 56,949.4                         |
| Current tax liabilities                                     | 4,830.8                            | 5,412.5                          |
| Other provisions  | 17,094.8                           | 15,682.4                         |
| Interest-bearing financial liabilities                      | 27,412.6                           | 15,191.8                         |
| Trade payables  | 31,038.6                           | 30,196.9                         |
| Liabilities to companies with which a participation is held | 277.2                              | 0.2                              |
| Other liabilities   | 29,604.2                           | 23,810.9                         |
| Short-term liabilities                                      | 110,258.2                          | 90,294.7                         |
| <b>TOTAL LIABILITIES</b>                                    | <b>291,446.9</b>                   | <b>256,447.9</b>                 |

## Group cash flow

| in € 1000s ( unaudited)              | 1 <sup>st</sup> half year 2007 | 1 <sup>st</sup> half year 2006 |
|--------------------------------------|--------------------------------|--------------------------------|
| Liquid funds as of 1 January         | 14,223.4                       | 18,559.8                       |
| CASH-FLOW from result                | 19,059.3                       | 17,283.1                       |
| Changes in working capital           | -22,537.6                      | -16,003.4                      |
| CASH-FLOW from operating activities  | 3,478.3                        | -1,279.7                       |
| CASH FLOW from investment activities | -5,901.8                       | -4,979.1                       |
| CASH FLOW from financing activities  | 12,394.6                       | -1,876.5                       |
| Other (currency changes etc.)        | -244.2                         | -318.1                         |
| Liquid funds as of 30 June           | 16,993.7                       | 12,665.8                       |

## Changes in shareholders' equity

| in € 1000s                   | Share capital | Capital reserve | Retained earnings | Other reserve | Sub-total | Minority shares | Equity    |
|------------------------------|---------------|-----------------|-------------------|---------------|-----------|-----------------|-----------|
| As of 31 December 2006       | 17,833.5      | 17,095.8        | 74,659.1          | -1,083.0      | 108,505.4 | 698.4           | 109,203.8 |
| Net attributable profit      | 0.0           | 0.0             | 14,950.1          | 0.0           | 14,950.1  | -137.5          | 14,812.6  |
| Currency translation         | 0.0           | 0.0             | 0.0               | -244.2        | -244.2    | -5.3            | -249.5    |
| Result for the entire period | 0.0           | 0.0             | 14,950.1          | -244.2        | 14,705.9  | -142.8          | 14,563.1  |
| Dividend payment             | 0.0           | 0.0             | -6,241.7          | 0.0           | -6,241.7  | 0.0             | -6,241.7  |
| Change in minorities         | 0.0           | 0.0             | 0.0               | 0.0           | 0.0       | 10.6            | 10.6      |
| As of 30 June 2007           | 17,833.5      | 17,095.8        | 83,367.5          | -1,327.2      | 116,969.6 | 566.2           | 117,535.8 |

| in € 1000s                   | Share capital | Capital reserve | Retained earnings | Other reserve | Sub-total | Minority shares | Equity    |
|------------------------------|---------------|-----------------|-------------------|---------------|-----------|-----------------|-----------|
| As of 31 December 2005       | 17,833.5      | 17,095.8        | 58,888.4          | -1,060.9      | 92,756.8  | 585.5           | 93,342.3  |
| Net attributable profit      | 0.0           | 0.0             | 13,170.3          | 0.0           | 13,170.3  | 86.6            | 13,256.9  |
| Currency translation         | 0.0           | 0.0             | 0.0               | -318.1        | -318.1    | -15.7           | -333.8    |
| Result for the entire period | 0.0           | 0.0             | 13,170.3          | -318.1        | 12,852.2  | 70.9            | 12,923.1  |
| Dividend payment             | 0.0           | 0.0             | -5,350.1          | 0.0           | -5,350.1  | 0.0             | -5,350.1  |
| Change in minorities         | 0.0           | 0.0             | 0.0               | 0.0           | 0.0       | 67.8            | 67.8      |
| As of 30 June 2006           | 17,833.5      | 17,095.8        | 66,708.6          | -1,379.0      | 100,258.9 | 724.2           | 100,983.1 |

Financial Calender 2007:

Extraordinary General Meeting  
Letter to Shareholders III/2007

3. September 2007  
16. November 2007

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